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LEBANON

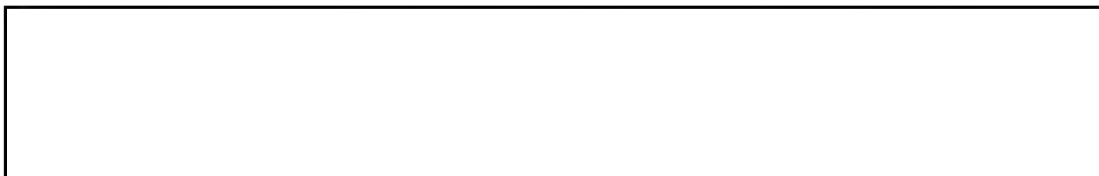
Prime Minister Rashid Karami has won the support of all major Lebanese and Palestinian leaders for his decision to use the Lebanese army to contain violence of Lebanese and fedayeen radicals.

Sporadic and sometimes intense fighting has occurred during the past few days in Beirut, Tripoli, and the northern town of Bayt Millit, but has not sparked a resumption of widespread or prolonged clashes between the Christians and Muslims. The most serious incident occurred early yesterday morning, when 12 members of the radical "October 24 Movement" were killed by army troops at a roadblock south of Tripoli.

This was the first time the army had become directly involved in the fighting, although at least one soldier was killed late last week after the army created a buffer zone between Tripoli and Zagharta.

The October 24 Movement is a far-left group based in Tripoli and led by Faruq Muqaddam, a long-time rival of Karami. Supported by radical fedayeen and the Libyans, it advocates the overthrow of Lebanon's governing system. The group was believed responsible for attacks on several police posts in northern Lebanon yesterday. According to press reports, some 20 policemen were kidnaped to protest the killing of 12 leftists earlier in the day.

Radical groups like the October 24 Movement have little backing from Lebanese and Palestinian leaders. Kamal Jumblatt, the country's leading leftist and head of the Progressive Socialist Party, supported them by condemning the government's use of the army and calling a general strike yesterday, but even he was persuaded to cancel the strike at the last minute.



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The leftists, who in the past have often received fedayeen backing, have been hurt by the decision of the principal commando leaders to back Karami. Saiqa chief Zuhayr Muhsin has made the most forceful public statement of support, but high-level Fatah officials joined him late last week in a visit to Tripoli to try to convince Lebanese and Palestinian leftists to lay down their arms.

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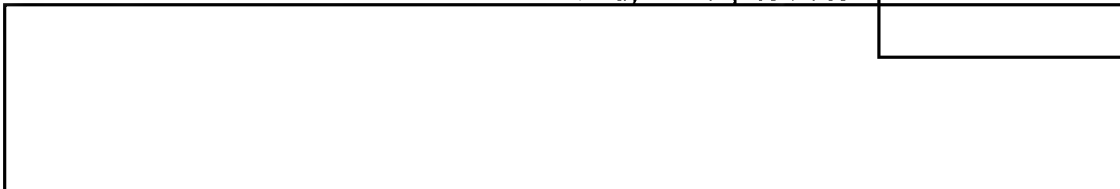
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Leaders of Lebanon's disadvantaged Shia Muslim community, who sometimes cooperate with the Lebanese leftists, have this time spoken out on Karami's behalf. They have been joined by Muslim and Christian political leaders, by leaders of the large Sunni Muslim sect, and by the Maronite Christian patriarch, who took the usual step of appealing to other Arab states to "help Lebanon in its time of troubles."

This combination of support suggests that Lebanese political and security officials are succeeding—for the moment, at least—in their strategy of gradually transforming the character of the fighting from a Christian-Muslim dispute to one between moderates and leftists. The government believes that if it can retain the support or neutrality of the major political and religious groups, it will be able to contain the Lebanese leftists and the fedayeen rejectionists.



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FEDAYEEN-SPAIN

The fedayeen who seized the Egyptian embassy in Madrid yesterday apparently created a special group for this operation.

Named the "Martyr Abd al-Qadir al-Husayni" group after a Palestinian hero killed by Israeli forces in 1948, the unit has not been seen before. Although all of the fedayeen groups that engage in international terrorism have employed this practice, it has been favored most by terrorists who have left the major commando groups to operate more or less independently with Libyan or Iraqi support.

Leaders of all of the fedayeen groups are angry with Egypt's President Sadat for agreeing to a second Egyptian-Israeli interim agreement without securing any concessions for the Palestinians.

Emboldened by Syria's harsh criticism of the accord, even the normally moderate Saiqa group—which is controlled by Damascus—attempted a terrorist operation in the Netherlands early this month.

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Yasir Arafat, chief of the Palestine Liberation Organization and Fatah, has been careful not to burn his bridges to Egypt by endorsing personal attacks on President Sadat, despite the political necessity of his joining in the vehement Palestinian criticism of the latest Egyptian diplomatic move.

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Although it is thus unlikely that Arafat is behind this operation—indeed, he has condemned it—it is possible that Fatah's terrorist arm, the Black September Organization, is involved without his knowledge.

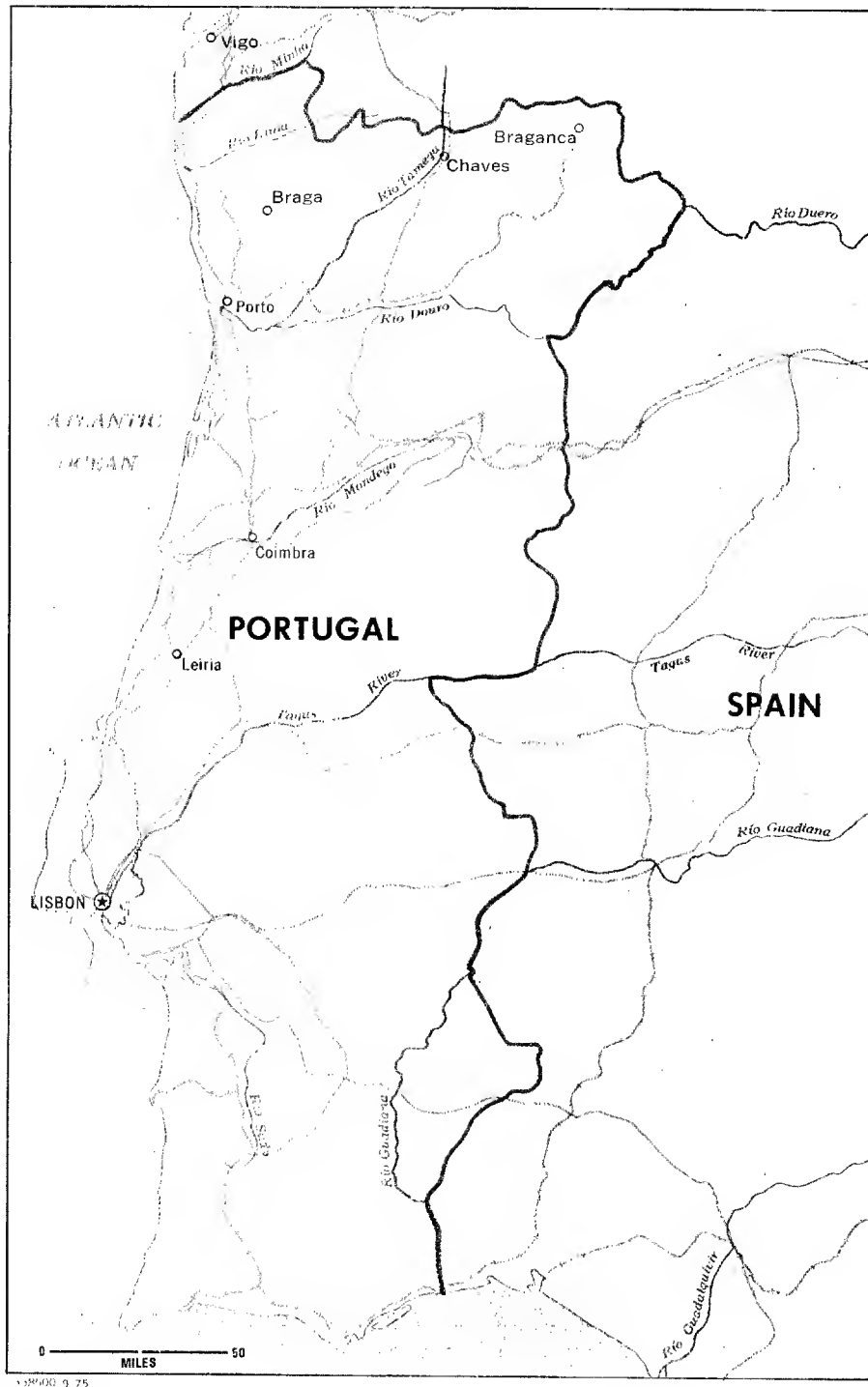
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There is no chance that the Egyptians will allow this incident to upset the second Sinai pact or interfere with future negotiations. Terrorist attacks have occurred during several past Arab summits and negotiating sessions, never with any significant result.

The attack on the Egyptian embassy will, nevertheless, further sour Cairo's relations with the PLO. Sadat condemned the Palestinians in a speech yesterday; representatives of several fedayeen groups have in turn denounced Cairo's indictment of "Arafat, the PLO, and all Palestinians" as unnecessarily harsh.

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PORTUGAL

Right-wing groups supporting former president Spínola reportedly are planning a show of strength this weekend in northern Portugal.

A relative of a suspected supporter of the exile group told the US army attache in Lisbon that family members have been warned to leave Portugal by September 20.

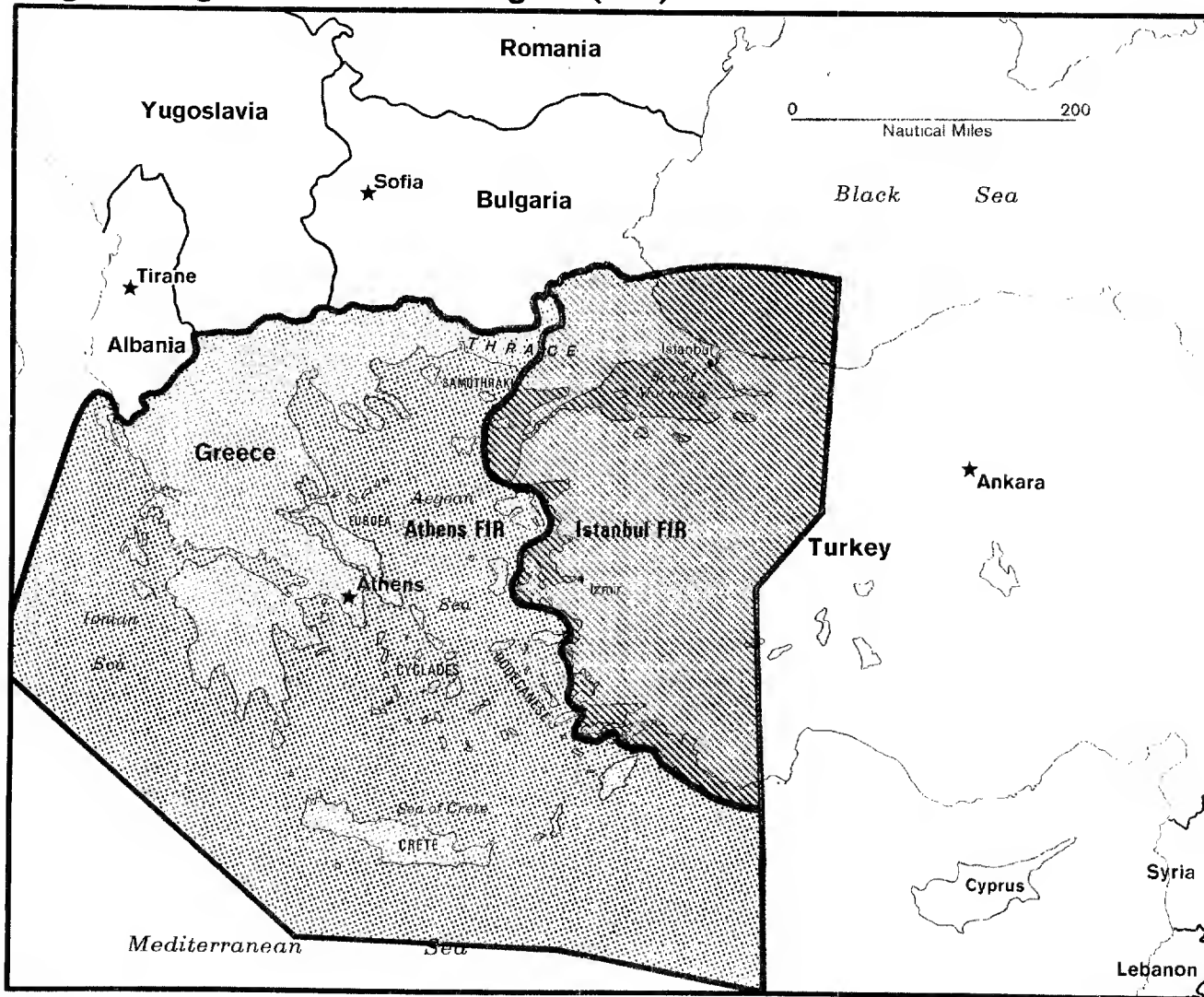
The US defense attache in Madrid, meanwhile, has learned of another plot on the part of exiles who are not Spínola supporters. His source claims that "several hundred" Portuguese are in Vigo, Spain, and are planning to overthrow the Lisbon government by force in late September or early October.

None of these groups is likely to be a match in a direct confrontation with the Armed Forces Movement. Although the Movement has been divided recently over the composition and programs of the Lisbon government, it would quickly unite to resist any hint of return to rule by right-wing forces.

The majority of exiles may realize this is the case and be content in the near term with cross-border operations. They may even be able to take advantage of the anti-Communist sentiment in the north and establish a base for operations in the north. In recent weeks exile activities have included attacks on radio stations. Exile groups are suspected of bombing one station in northwestern Portugal on September 14 and may have been involved in an attempt to take over a radio station near Porto the same night.

Meanwhile, Prime Minister - designate Azevedo is continuing negotiations to form a cabinet and expects to announce it later this week. The Communists are reportedly responsible for much of the delay, holding out in hopes of improving their position.

Aegean Flight Information Region (FIR)



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GREECE-TURKEY

Greece and Turkey failed to reach agreement during their third round of talks over the disputed flight information region in the Aegean and further negotiations will now be necessary.

Actions by Athens and Ankara following the Turkish invasion of Cyprus in July-August 1974 closed the Aegean to civilian traffic. The Greeks have direct air routes to all destinations except Turkey, but the Turks must schedule their flights to the west via the central Mediterranean or over Bulgaria.

The two sides met in Ankara in June to begin preliminary discussions, but Turkish demands that Athens inform Ankara of all military flights between the Greek mainland and islands blocked an agreement.

More fruitful talks held in July in Athens produced agreement on a number of issues. The question of Greek military flights remained unresolved, however, and prevented the implementation of those issues that were agreed to.

Greece's claim to ten nautical miles of air space around its islands, although its territorial waters extend only six nautical miles, surfaced as another point of contention during the latest round of talks. The Turks are now taking the position that Athens cannot claim sovereignty to air space beyond its territorial waters.

The differences encountered in the Aegean are politically as well as militarily motivated. Athens refuses to submit to Ankara's demand for a "Turkish early identification zone" in air space under Greek control. The Turks, for their part, are unwilling to resolve smaller issues until an overall agreement on all aspects of flights in the Aegean is reached.

No further progress in the talks appears likely unless Ankara relents on its demand for identification of Greek planes in the eastern Aegean. The 50-nautical-mile zone embodied in Turkish demands roughly coincides with the limits of the continental shelf as defined by Ankara. Greek consent on the flight information region issue could strengthen Ankara's case on disputed seabed rights. Greece has no intention of agreeing to special status for the Aegean that could possibly prejudice future consideration by the International Court of Justice of Greek and Turkish claims to the seabed. Both countries have agreed in principle to submit their cases to the International Court for mediation and will soon begin negotiations to determine the terms of reference.

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JAPAN

The Miki government, in an effort to get important financial measures through the just-opened special Diet session, has shelved plans to push for ratification of the nuclear Non-Proliferation Treaty this year.

Prime Minister Miki will concentrate on early passage of the politically sensitive alcohol and tobacco tax increase measures, as well as a postal rate hike. [REDACTED]

[REDACTED] Miki failed to gain the traditionally routine approval of these measures during the regular Diet session that ended in July because it became paralyzed in debate over more controversial political proposals.

In an effort to strengthen his hand in the special session, Miki has pressed hard for political unity. Toward this end he is trying to discourage speculation that he will dissolve the Diet before its scheduled termination on November 24 and call for national elections. This speculation has led in the past few months to considerable political maneuvering and backbiting, especially within the ruling party. Fortunately for Miki, his two principal rivals, Deputy Prime Minister Fukuda and Finance Minister Ohira, have major stakes in getting the government's financial package through the Diet and therefore are likely to ensure the success of at least this part of Miki's program.

Foreign Ministry officials told US embassy officers recently that later in the session—presumably once the financial package is passed—the government will take up the fisheries agreements recently signed with China and the USSR, as well as the long-pending continental shelf agreement with South Korea. Strong opposition from critics within the ruling party, however, as well as the opposition parties, makes chances for approval of the shelf agreement in this Diet session doubtful.

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SOUTH KOREA - JAPAN

The one-day South Korean - Japanese ministerial meeting in Seoul yesterday had a mainly symbolic value. It signaled a return to a more normal relationship between the two countries after a period of strained ties that started two years ago when South Korean opposition leader Kim Tae-chung was kidnaped in Japan and returned to Seoul.

A joint communique issued at the close of the talks endorsed closer cooperation between Tokyo and Seoul, but it avoided specifics. The Japanese agreed to continue economic aid to Seoul; they did not make any long-term commitments. Subsequent working-level talks will decide the level of Japanese aid. The South Koreans had hoped that Japan would agree to a specific reaffirmation of the importance of South Korea to Japanese security, but Tokyo offered only a general call for peace and stability in the region.

While Seoul-Tokyo relations appear on a better footing now than they have been for some time, long-standing frictions remain. Seoul is still particularly suspicious that Tokyo is interested in developing contacts with North Korea.



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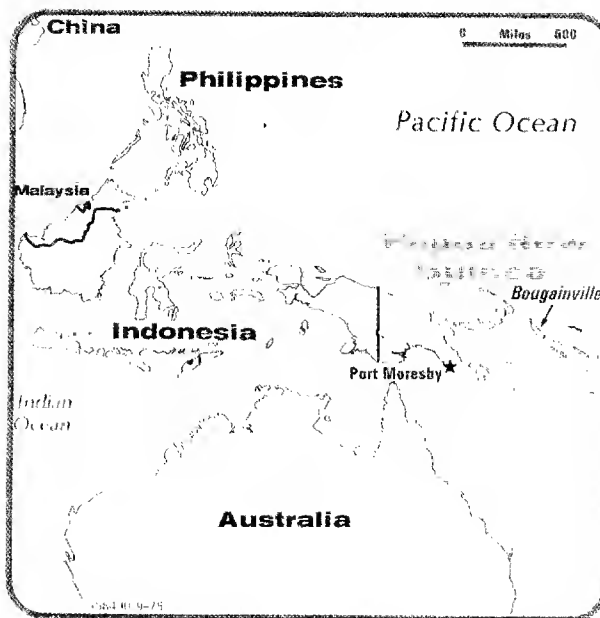
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PAPUA NEW GUINEA

Papua New Guinea attained independence from Australia today. Enthusiasm in Port Moresby is tempered by trepidation, however, as the new government faces the manifold problems of leading a primitive country into the modern world.

Papua New Guinea has many advantages over other colonies that have become independent nations. It is rich in unexploited natural wealth and will not have to cope with intractable problems of overpopulation. But Papua New Guinea suffers from deep and basic divisions of geography and language that will impede the development of a national consciousness. The rapid modernization of towns and natural resources areas has widened a cleavage with the hinterlands where primitive tribal traditions prevail. There is also a growing gap between the small educated elite and a largely illiterate populace.

Chief Minister Somare, who became prime minister, has been a stabilizing and unifying force in domestic politics in the past two years of self-government. His position seems secure as the country reaches full independence. Although sometimes faulted by his colleagues for being too ready to compromise, he has been a moderating influence in dealing with potentially dangerous internal political differences.



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[redacted] Trained young people coming into the job market are attracted more to professional and business careers than to public service. Staffing problems are compounded by the exodus of those Australians who see no future in the new country in view of the government's desire to promote local ownership and administration.

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The colonial relationship with Australia has been generally amicable. The prodding for early independence, in fact, came from an Australian Labor government anxious to divest itself of an unwanted colonial role, not from Papua New Guinea.

The new nation is basically inward-looking, with only modest foreign policy ambitions. It will concentrate on maintaining the long and close association with Australia and on strengthening ties with neighboring Indonesia and with other young islands in the South Pacific. It intends to join the UN, but there is no residue of anti-imperialist bitterness and no signs that the new country will align itself with the radicals of the Third World.

Papua New Guinea leaders are favorably disposed toward the US and hope the US will fill the gap left by a scaling down of Australian aid. They look favorably on foreign investment and are drawing up new guidelines that will assure local participation but will not necessarily impose stringent controls.

Separatist sentiment among the far-flung islands is the greatest threat to stability. The declaration of secession by separatists on the copper-rich island of Bougainville two weeks before national independence reflects the tenuous nature of the union. The central government in Port Moresby has taken a forbearing attitude, hoping the separatists will not muster widespread support, and the separatists admit that it would take six months or a year to set up a separate state. Bougainville copper provides 62 percent of Papua New Guinea's foreign-exchange earnings, and should the separatists seek to take over copper production, Port Moresby would be placed in an extremely awkward position. The government does not have the military force to quell determined resistance, and Australia is unlikely to intervene.

In the interest of assuring stability in these neighboring islands, however, Canberra will probably be obliged to continue to provide economic aid and discreet political advice beyond the levels it had anticipated.

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TURKEY-LIBYA: Ankara has received the seven US-built F-5 fighters we reported earlier that Libya had offered as a gift. Libya has previously violated contracts covering US sales of military equipment, which call for US approval of any transfer of equipment to another country. The aircraft, apparently piloted by Turkish crews, arrived at Murted airfield near Ankara on Friday. The F-5s are said to be old models which the Turks are likely to cannibalize for much-needed spare parts. Several weeks ago, the US attache in Ankara saw ten Turkish F-5s at an airfield in northern Turkey that were not flyable because of the lack of spare parts. The standdown of these ten aircraft meant a loss of nearly one third of the base's operational aircraft.

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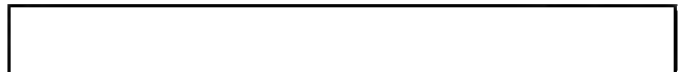
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